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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to the Thomson Reuters second-quarter 2014 earnings call. (Operator Instructions). As a reminder, today's conference call will be recorded. At this time, I will turn the conference over to your host, Senior Vice President, Investor Relations, Frank Golden. Please go ahead.

Frank Golden - *Thomson Reuters Corp. - SVP, IR*

Good morning and thanks for joining us this morning as we report our second-quarter results. We will begin today with our CEO, Jim Smith, followed by our CFO, Stephane Bello. Following their presentations, we will open the call for questions. We'd appreciate it if you would limit yourselves to one question each in order to enable us to get to as many questions as possible.

Now throughout today's presentation, keep in mind that when we compare performance period on period, we look at revenue growth rates before currency as we believe this provides the best basis to measure the underlying performance of the business. Today's presentation contains forward-looking statements. Actual results may differ materially due to a number of risks and uncertainties discussed in reports and filings that we provide to regulatory agencies. You can access these documents on our website or by contacting our Investor Relations department. Let me now turn it over to the CEO of Thomson Reuters, Jim Smith.

Jim Smith - *Thomson Reuters Corp. - President & CEO*

Thank you, Frank and thanks to those of you on the call for joining us. Today, I will discuss the second quarter's results, our first-half performance and our expectations for the balance of the year. Stephane will then review the second-quarter results in more detail. Now for results for the quarter. The second-quarter results built upon the good start in the first quarter and our performance for the first half of the year was consistent with our full-year expectations. We remain focused on our overarching objective, which is to build a platform to achieve higher and sustainable growth in the future.

Our approach targets two areas -- first, increasing organic revenue by improving execution and fostering innovation and second, simplifying the business to drive scale and provide the resources needed to fund our growth. I am confident that this approach will enable us to improve earnings and free cash flow per share.

For the quarter, total revenues were up 1%, reflecting another exceptional quarter for Tax & Accounting, strong growth from IP & Science and improving underlying growth for Legal, partly offset by Financial's revenue decline, which reflected the lagging impact of negative net sales for the prior 12 months and a decrease in transaction revenues. Despite this revenue decline, our Financial business continues to make progress and broke into positive net sales territory for the quarter. Net sales have now shown year-over-year improvement in six of the last seven quarters and we do expect this improving trend to continue over the balance of the year. On the cost side, we continue to make good progress as evidenced by a 210 basis point improvement in Financial's Q2 EBITDA margin if you exclude charges for both periods.

At the consolidated level, both EBITDA and operating income growth were tempered by charges of $30 million in the quarter compared to $9 million in Q2 last year. Despite the $21 million increase in charges, both margins improved slightly and if the charges are excluded for both periods, then both margins rose 80 and 70 basis points respectively. Adjusted EPS was $0.51 for the quarter, $0.03 better than last year.

We've also continued to return more capital to shareholders. Since announcing our $1 billion share buyback program last October, we have repurchased nearly 27 million shares at a cost of about $960 million. And this morning, we also announced our intention to purchase up to an additional $1 billion of stock between now and the end of 2015. So the trend lines continue to improve and I remain pleased with the trajectory of the business enabling us to reaffirm our full-year outlook.

Now let's look at the results by business segment for the quarter. Financial's revenues declined 2%, which was expected in light of the prior 12 months negative net sales performance. Transaction revenues were down 11% on an organic basis reflecting significantly lower volatility and therefore volumes across global markets, including equities, credit and foreign exchange. Since transaction revenues represent about 10% of Financial's total revenues, the double-digit decline we experienced this quarter negatively impacted the segment's organic growth rate by over 100 basis points.

Nevertheless, the business continues to make significant operational progress, particularly around better execution from the front end, meaning things like sales, service, product, to the back end in areas like platforms, billing, account administration. As mentioned a minute ago, net sales were positive in Q2 and were better than the prior-year period. For the first half, net sales were also substantially better than the first half of 2013 resulting from better gross sales and improving retention rates due to fewer cancellations. By geography, net sales in both the Americas and Asia were positive for the quarter. And Europe, though slightly negative, was substantially better than the second quarter of last year and posted its best quarter in fact in three years. For the full year, we continue to forecast better net sales than 2013, which should lead to improving growth next year.

The Legal segment's revenues rose 1% with strong performances from Solutions Businesses such as Elite, Practical Law, FindLaw. Growth was moderated by a 9% decline in US Print revenues. If you exclude US Print, revenues grew 2% organically, which represented a sequential improvement over the 1% growth rate experienced in Q1.

Tax & Accounting had another very strong quarter with revenues up 14% driven by strong growth across the business. This business continues to benefit from an increasing focus on global taxation and from tax reforms and increased digitization in rapidly developing economies. We believe these factors will continue to contribute to growth going forward. IP & Science revenues grew 7% with good growth across the business, including subscription revenue growth of 10% and our global growth businesses continue to perform, up 9%. Let me remind you that the GGO results are included within each of the four business segments.

So I am pleased with our performance for the quarter and the half-year and now I'd like to share some thoughts about developments for the second half of the year. Two and a half years ago on my first earnings call, I discussed how we would go about building a foundation for profitable growth in our Financial business and during that time we've made real progress with more to come. On the cost side, our simplification programs are delivering savings, which are reflected in Financial's improving margins and I am confident that trend will continue. Eliminating duplication by closing legacy platforms, shuttering data centers and retiring legacy products is enabling us to reduce the number of people who directly support these functions. This in turn is leading to more targeted investment, helping to improve growth and profitability.

On the revenue side, the economic environment hasn't made it easy, but against that, we have been making strong advances in products that are enhancing our market position, leading to the improving trend in net sales and the improving trend in net sales reflect a better customer experience resulting from better products and services, which in turn is driving higher retention rates. Customers now have increased confidence that we can deliver on our promises.

So from this stronger position, we are now in the process of migrating our remaining legacy users to new products and packages on the unified platform. These migrations are in the early stages, but the results thus far are encouraging. In some instances, while the tiered packaging may lead to lower price realization for some customers, we believe the benefits we expect to realize on the cost side from simplification, i.e. closing more legacy platforms, and on the revenue side from improving net sales trends, greater pricing discipline and annual price increases will all contribute to top-line growth and higher margins. For obvious competitive reasons, we don't want to be too specific here, but suffice it to say we continue to be encouraged by the underlying trends in the business.

In conclusion, let me say that our first-half performance was encouraging and confirmed that we are on track and six months through the year, we are seeing the benefits of our simplification initiatives in the Financial business reflected in its improving net sales trends and increasing margins. So as we look to the second half of the year and 2015, we will pick up the pace to simplify and streamline our organization, to shift resources behind the most promising growth opportunities and use every tool at our disposal to drive value creation for all our stakeholders. Now let me turn it over to Stephane.

Stephane Bello - *Thomson Reuters Corp. - EVP & CFO*

Thank you, Jim and good morning or good afternoon to you all. As we always do, I will speak to revenue growth before currency throughout today's presentation. This first summary slide provides a snapshot of our second-quarter and six-month results, which do reflect the impact of the charges we took during the first half of the year. As mentioned in our press release, these charges had a $30 million impact at the EBITDA level for the second quarter, a $40 million impact for the first six months. For the comparable periods last year, we incurred charges of $9 million and $87 million respectively. And we still expect full-year charges to total approximately $120 million.

Now our second-quarter revenues were up 1% with flat organic revenue growth. This is in line with our guidance for flat revenue growth for the full year. Our Financial & Risk segment declined 2% and was down 3% organically while our other businesses grew 5% in aggregate during the quarter and 3% organically. Adjusted EBITDA in the quarter was up 2% with an EBITDA margin of 27.8%, up 20 basis points from the prior-year period. Excluding charges from both periods, the EBITDA margin was 28.7% in the second quarter compared to 27.9% last year. This 80 basis point improvement was primarily the result of cost savings relating to the ongoing simplification efforts in our Financial & Risk business. Foreign exchange added 10 basis points positive impact on the margin this quarter.

Finally, underlying operating profit increased 2% and excluding the charges, it was 6% with the margin up 70 basis points from last year. We continue to expect margins for the full year to be within the guidance we provided in February. With the second half a bit lower than the first half due to the timing of some expenses and also due to higher charges based on our $120 million projections for the full year and the $40 million spent so far this year, charges in the second half of the year are expected to be around $80 million, or twice the level incurred to date.

Now let me provide you with some additional color on the performance of our individual businesses starting with our Legal segment. Demand in the US legal market as measured by our Peer Monitor index was up slightly, the second consecutive quarter of improvement with three of the last four quarters showing growth. During the quarter, Legal grew 1% and was flat on an organic basis. As expected, US Print revenues continued to be a drag on revenue growth declining 9%. Excluding the impact of US Print, revenue rose 3% and rose 2% organically, which was a sequential improvement over the 1% organic growth rate experienced during the first quarter.

Transaction revenues, which is 11% of the total, were down 10%, all organic. Subscription revenues, which is about three-quarters of the total, were up 5% and were up 4% organically. This strong organic growth performance of our subscription revenue base during the quarter illustrates the improving trends we are seeing in our Legal business. For the third quarter, we anticipate that Print revenues will again decline in the upper single-digit range versus Q3 last year and we also continue to expect full-year Print revenues to be down mid to high single digits.

Turning to profitability metrics, both EBITDA and operating profit increased 2% during the quarter with margins increasing 40 and 60 basis points respectively. The Legal business continues to do an excellent job of maintaining margins against a backdrop of challenging revenue mix, namely the decline in our highly profitable Print revenue.

Now here is a more detailed look at the revenue performance of the three main subsegments in our Legal business. This graph provides a good depiction of the changing revenue mix dynamics as our Solution Businesses become an increasingly larger proportion of the total. As a reminder, the Solution Businesses consist of everything except core legal research in the US. In aggregate, they made up around 45% of Legal's revenue base in the second quarter, up from 43% last year and they grew 6%, 5% organically, driven by strong growth in Elite, FindLaw and Practical Law. US Print revenues, which represent about 16% of the total, were down 9%, as mentioned earlier and finally, US Online Legal Information, which is 39% of the total, declined by 1%. Again, a modest but encouraging improvement from the first quarter.

Turning to our Tax & Accounting business, that segment delivered another very strong quarter. Revenues grew 14% of which 10% was organic. This in part reflected an easier comparison to the second quarter of last year, which, as you may recall, was impacted by a large decline in our Government business. Excluding Government, organic growth was 6% in the second quarter. Recurring revenues, about 80% of the total, grew 7% organically. From a profitability standpoint, EBITDA was up 13% in the quarter with the related margin flat due to acquisition dilution and reinvestments we are making in what is one of our highest growth businesses. For the six-month period, the EBITDA margin increased 110 basis points. Operating profit was up 14% in the quarter with the related margin up 30 basis points. As we always say, full-year margins are more reflective of the segment's underlying performance and a small movement in the timing of revenues and expenses can impact margins in any given quarter.

As you can see on this next slide, we achieved strong growth in most segments of our Tax & Accounting business for the quarter. In particular, the Corporate segment delivered organic revenue growth of 11%. Professional was at 5%, a good performance given the difficult prior-year comparison when revenues increased 13% and Knowledge Solutions revenues grew 2% and were flat organically. Finally, as I just mentioned, Government revenues were up significantly, but they continue to represent a fairly small percentage of Tax & Accounting's total revenue base.

Our IP & Science business recorded a strong quarter with revenues up 7% and organic growth of 5%. This performance was driven by strong organic growth in Scientific & Scholarly Research and IP Solutions, which delivered organic growth rates of 10% and 6% respectively. This revenue growth led to an 8% increase in EBITDA and a 5% increase in operating profit. The EBITDA margin was up 10 basis points and the operating profit margin declined 50 basis points due to the impact of last year's acquisitions. During the second quarter, recurring revenues represented about three-quarters of the total IP & Science revenues and grew 10%, 8% organically, while transaction revenues in the second quarter were down 1% and they were down 3% organically.

Now turning to the second-quarter results for the Financial & Risk business. Revenues were down 2% with a 1% contribution from acquisitions. So organic revenue was down 3%. This organic revenue decline reflected the continued impact of our sales performance over the prior 12 months, which we expected, as well as an 11% decline in organic transaction revenues, which was the result of very low volatility levels in many of our markets.

As Jim discussed earlier, net sales were positive for the second quarter and overall, net sales continued to reflect a gradually improving trend driven primarily by improved retention rates. The EBITDA and operating profit margins were both up 40 basis points despite incurring charges this quarter

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of $30 million versus $3 million last year. Excluding charges from both periods, the EBITDA and operating profit margins were each up over 200 basis points. The primary driver of this improvement in margins is the ongoing simplification efforts, which result in a gradual reduction in technology, real estate and people costs. As mentioned on the first-quarter call, we expect Financial & Risk's headcount to be less than 19,000 by year-end, which would represent a 20% reduction from the 23,000 level we had at the beginning of 2012.

Looking at the Financial & Risk revenue in a bit more detail, recurring revenues, which were 76% of the total, declined 2% during the quarter and this decline was the result of the negative net sales in the prior 12 months. Recoveries, about 11% of total revenues, were flat for the quarter and as a reminder, recoveries are low-margin revenues. And finally, transaction revenues, which is 13% of the total, decreased 4% and they were down 11% on an organic basis, reflecting a steep decline in overall market volatility. This is consistent with what many banks have reported for the second quarter with revenue from fixed income, foreign exchange and equity sales and trading down double digits as low volatility depressed market volumes. And the chart on the right of this slide shows that the current volatility levels are close to the lowest level they have been in the last 25 years.

Now looking at revenues for the second quarter by geography, Europe, Middle East and Africa, which represents Financial & Risk's largest geographic segment, was down 4% reflecting the impact of last year's negative net sales in Europe as the region saw industry consolidation and cost-cutting. Revenues in the Americas were down 1% and down 4% organically. Now two-thirds of Financial & Risk's transaction revenues come from the Americas. Therefore, the lower transaction volumes have a disproportionate effect on this region. Excluding transaction revenues in the quarter, Americas organic revenues declined 2%. And revenues in Asia were up 1% and were flat organically. Once again, this reflected the 2013 net sales flow-through offsetting the revenue impact of the positive net sales we have seen in the first two quarters of this year.

Now let me turn to the review of our consolidated results. Second-quarter adjusted EPS was $0.51 per share, $0.03 higher than a year ago. The $0.03 increase was attributable to higher operating profit and lower interest expense offset by a slightly higher tax rate, 14% versus 9% last year. For the full year, we remain comfortable with our guidance for interest expense of between $450 million and $475 million, as well as an effective tax rate for the year of between 13% and 15%.

Now turning to our free cash flow performance for the first half of the year and working from the bottom to the top of this slide, free cash flow from the first six months of the year was $517 million. This included $159 million of simplification cash costs, as well as a decrease of $53 million of cash relating to disposals. As such, ongoing free cash flow, excluding the impact of disposals, was at 15% during the first half and ongoing free cash flow, excluding the impact of the simplification charges, was $677 million, $130 million higher than the prior-year period, which represented a 24% increase.

The strong free cash flow generation profile of our business enables us to fund growth investments internally while at the same time returning capital to shareholders. As Jim discussed earlier, we've bought back nearly $1 billion of stock since we announced our current share buyback program last October. And this morning, we announced the start of an additional $1 billion buyback program, which we expect to complete by the end of 2015. This additional buyback program is consistent with our stated intention to focus on driving organic growth and pursuing scale initiatives across our business, which enables us to return more capital to our shareholders. And finally, as you can see from the chart on this slide, we expect to be in a position to execute this additional buyback program while staying within our 2.5 times net debt to adjusted EBITDA target.

So to wrap up, we are pleased with our first-half financial results and based on those results, we are reaffirming our outlook for the full year. With that, let me now turn it back over to Frank.

Frank Golden - *Thomson Reuters Corp. - SVP, IR*

Thanks, Stephane and Jim and we'd like to open the call for questions. So operator, if we could have the first question please.

QUESTIONS AND ANSWERS

Operator

Sara Gubins, Bank of America Merrill Lynch.

Sara Gubins - *Bank of America Merrill Lynch - Analyst*

Hi, thank you, good morning. Could you provide us a bit more color on net sales, particularly what you are seeing in Europe in F&R? Really nice to hear the declines continue to get better there. Maybe breaking it out between regional versus larger players and just the tone of what they are talking about as we head into the back half of the year.

Stephane Bello - *Thomson Reuters Corp. - EVP & CFO*

Let me try that question. Good morning to you. As Jim said, I think net sales were positive in the Americas in Asia for the second quarter and they were still negative in Europe, but actually Europe saw the biggest improvement. They were significantly better in Europe than in Q1 and then in Q2 last year.

I would say, generally speaking, the positive trend we are seeing in net sales is driven both by a slight improvement in what we call gross sales, but primarily driven -- and that improvement is like single digit, I would say, in percentage terms and a strong improvement in cancellations. That is the cancellations are declining at a rate, which is double digit in the first half. So that is really what is driving the performance, so it is driven by an improvement in our retention rate overall.

Sara Gubins - *Bank of America Merrill Lynch - Analyst*

Great, thanks. And then separately on Legal margins, the margins have outperformed our expectations for the first half of the year, which is good to see given the declines in Print. Could you talk about how you are getting there and help us think about what Legal margins might look like in the back half of the year?

Stephane Bello - *Thomson Reuters Corp. - EVP & CFO*

Yes, I would give you the same guidance as we have always given, which is that we expect margins for Legal for the full year to be roughly flat in aggregate. So I think that what you see in the first half reflected really pretty strict cost control from the Legal business. We do want to continue to invest behind the growth areas of the business as we are doing elsewhere in the business, so there will be some investment for growth in the second half, but overall within that constraint that I just mentioned. We want to essentially maximize investment for growth while maintaining margins in that business.

Sara Gubins - *Bank of America Merrill Lynch - Analyst*

So given the strength in the first half, margins might be down in the second on investments?

Stephane Bello - *Thomson Reuters Corp. - EVP & CFO*

They might be, yes.

Sara Gubins - *Bank of America Merrill Lynch - Analyst*

Okay, thank you.

Operator

Drew McReynolds, RBC Capital Markets.

Drew McReynolds - *RBC Capital Markets - Analyst*

Yes, thanks very much for taking my question. Just a quick follow-up from the previous question just on net sales. Stephane, can you just comment broadly? Are you seeing an improvement in the operating environment or are you getting kind of more market share gains within each category or is that a combination of both? And just can you comment on the Thomson ONE migration? Obviously this one is going to take a few years as customer contracts roll off. Are you gaining reasonable visibility on retention rates as you migrate that Thomson ONE terminal to Eikon? Thanks.

Jim Smith - *Thomson Reuters Corp. - President & CEO*

Jim here, Drew. If you don't mind, let me provide a little color on that one and Stephane can follow up with any specifics that I miss. I don't think there is any one thing that I can point to. We do not see a marked improvement or change in the market dynamics. That said, we have seen now for some time, the past several quarters, a better market environment in the Americas, a strengthening market environment, in particular our sales execution in Asia. We've seen -- as I mentioned, I believe, on the last quarter call, if you looked at the long tail of our business in Europe, that began to stabilize over the last couple of quarters and now we are seeing some bottoming out I think of activity with the largest European players.

That said, it has also been down to some really good sales execution by our sales teams and frankly, it is the better product that we are rolling out leading to increased retention rates. So it all kind of goes together. If I had to sum it up, I would say it is a result of us executing better in a still tough environment. That is the headline I would wrap around it. And I think as we now move to the buy side, it will be a longer process and I mentioned that earlier in my remarks because it is not the same process as going through just switching out Eikons at same price points. We are moving multiple products onto common platforms and I think, as I said, we are encouraged -- we are very early into this journey and we are working with our customers as we begin that migration. We are encouraged by the way it is starting out. We are encouraged that we are going to have an opportunity to construct some attractive product offerings and services, particularly on the buy side. But it is still early days to talk about what that will look like and they have a track record there. Just early days encouraged.

Drew McReynolds - *RBC Capital Markets - Analyst*

Thanks very much.

Operator

William Bird, FBR.

William Bird - *FBR Capital Markets - Analyst*

Good morning. I was wondering if you could just give us your thoughts on the durability of the positive net sales for F&R. And separately, could you also talk about kind of how the business is trending in desktop? Are there any proof points that you would highlight that suggest improved competitiveness? Thank you.

Jim Smith - *Thomson Reuters Corp. - President & CEO*

We have been floating around that positive line over the past -- over several quarters, and even up, down, up, down. I think what I do believe is that the trends of improvement against prior quarters will continue. That is certainly what we expect. We are seeing improvements. Because we look at the dynamics driving that, we expect to see continued improvement. As to whether or not that is positive improvement in any particular quarter in the current environment, that can turn on one or two contract negotiations. So I am hesitant to call each and every quarter, particularly in a fragile kind of environment that we are dealing in right now. All that said, underlying, I do believe we are going to see continued improvement in that sales performance and we are pretty confident in that, Bill.

As far as proof points go, the only ones I can point to, and I don't want to get into specific customer examples, I can just say that we have improved competitive position across the board. We monitor our head-to-head bake-offs with our customers and we are in a position now where we are winning our fair share of those competitive head-to-head bake-offs with competitors.

William Bird - *FBR Capital Markets - Analyst*

And just to clarify, on the positive net sales, did you see improvement in both desktop and enterprise?

Stephane Bello - *Thomson Reuters Corp. - EVP & CFO*

You know what, I don't have these details. Let us check on that and get back to you, Bill. I don't know the answer to that.

William Bird - *FBR Capital Markets - Analyst*

Okay, thank you.

Stephane Bello - *Thomson Reuters Corp. - EVP & CFO*

I would suspect the answer would be yes, but we will confirm.

Operator

Manav Patnaik, Barclays Global.

Greg Bardi - *Barclays Capital - Analyst*

Hi, this is actually Greg calling on for Manav. I want to talk on Legal. During your Investor Day, you talked about potential synergies from integrating your information assets like Westlaw with some of the software and solutions offerings. I was just wondering what inning we are there and what you view as the ultimate opportunity.

Jim Smith - *Thomson Reuters Corp. - President & CEO*

Sure. I would say we are in early innings there as we are really beginning that journey and I think that the ultimate opportunity is pretty big. And again, I guess for competitive reasons and the fact that we are in the early innings, I don't want to telegraph exactly what that product pipeline might look like there, but we have already begun to put more software solutions around Westlaw and going into the small law firm market, we see great opportunity to take commercial data from our Financial business and wrap that into solutions for law firms as well. Those are active products that we have in development and testing with large law firm customers right now. We think there is great opportunity in the corporate sector to combine both legal information around business development tools and analytics. So we think there is a very solid opportunity there, but we are in early innings of focusing our resources behind those development efforts.

Greg Bardi - *Barclays Capital - Analyst*

Okay, thanks. And maybe big picture on what you are seeing from the US legal industry, both in terms of profitability and headcount, what you are seeing there and how that is impacting the business.

Jim Smith - *Thomson Reuters Corp. - President & CEO*

Yes, look, I think it is still a challenging environment there and we are obviously very closely woven into the fabric of that industry and very in tune with the trends there. I would say there is a recognition across the industry that the world has changed and that we are operating in a different environment. That said, we've seen demand now up for a couple quarters in a row, which is encouraging, not massively so. We've seen some of the big profit drivers, drivers like litigation in the US be subdued, continue to be subdued so that is putting a lot of pressure on. But we've also seen some hiring pickup it looks like as well, which would be in front of the trend of demand pickup. So I would hope that a lot of firms are anticipating things getting I think steadily better in the space. I think it is going to be a challenging environment in the legal space. It is a changed environment in the legal space like most everything else since 2008.

Greg Bardi - *Barclays Capital - Analyst*

Okay, thanks, guys.

Operator

Vince Valentini, TD Securities.

Vince Valentini - *TD Securities - Analyst*

Thanks. If I can just pin you down specifically, if the trends in net sales in F&R continue to get better every quarter, you were positive in Q3 last year, so does that mean you would explicitly expect positive again in Q3 this year?

Stephane Bello - *Thomson Reuters Corp. - EVP & CFO*

It's a good question. As Jim said, we do expect the positive trend to continue. We really don't want to call one quarter separately, but we certainly do expect that, if you look at the second half as a whole compared to the second half of last year, it will be better.

Vince Valentini - *TD Securities - Analyst*

Okay. Given you're continuing to get better retention and I think your customer satisfaction is improving as you get the new products rolled out, do you have any thoughts about rate increases for January of 2015? Do you think you can start to sort of harvest some of this better product quality you have with better rate increases?

Jim Smith - *Thomson Reuters Corp. - President & CEO*

I think it is way too early to be thinking about that as we put our plans together. I frankly think that if you look at the overall install base that we have, I'm more focused on what s percentage point improvement in retention could do for our business, plus constructing attractive packages for people who aren't customers today. So I think we are going to be very cognizant of the market that we live in and frankly there are a lot of other benefits that we can get on price that come from just broader price discipline across the whole of the organization as opposed to what a headline rate increase might look like. So that wouldn't be our top priority at the moment, Vince.

Vince Valentini - *TD Securities - Analyst*

Yes, that's fair. And last one, Stephane, just a clarification. The foreign exchange in this quarter, you got a bit of a boost to revenues. Was there any material impact on EBITDA from FX swings?

Stephane Bello - *Thomson Reuters Corp. - EVP & CFO*

I think I mentioned it was about 10 basis points for the quarter. It was 10 bps positive, yes.

Vince Valentini - *TD Securities - Analyst*

Thanks.

Operator

Ato Garrett, Deutsche Bank.

Ato Garrett - *Deutsche Bank - Analyst*

Hi, good morning. I just have a question on the timing of restructuring costs because looking like with restructuring costs coming in at about $40 million year-to-date, so it seems like for the $120 million that things are going to be a little bit more back-half-weighted for the year. I guess given that back-half-weighting of the restructuring costs, should we continue -- do we need to change how we should continue to think about the 30% EBITDA margin target that you previously stated for F&R?? Will there be like a timing change there or should we still think about that in the way you originally phrased it?

Stephane Bello - *Thomson Reuters Corp. - EVP & CFO*

No, I don't think you should -- that should trigger any change to the target. As we get the cost in this year, we should see the benefit next year.

Ato Garrett - *Deutsche Bank - Analyst*

Okay, great. Thank you.

Operator

Toni Kaplan, Morgan Stanley.

Toni Kaplan - *Morgan Stanley - Analyst*

Hi, congrats on the quarter. You have been buying back a lot of stock over the past few quarters and so how should we think about the trajectory for the next $1 billion program? Should we expect it will be a slower or a similar pace?

Stephane Bello - *Thomson Reuters Corp. - EVP & CFO*

That's a hard question to answer. You see what we've done, right? We announced the buyback. At the time we announced it, we got questions on whether our intent was to complete a buyback or not. Our actions speak louder than words obviously, so I would say we have absolutely the same intent for the second buyback that we just announced, which is to complete it. How quickly can we do that? That will depend on a number of factors, market conditions and elsewhere, but we do intend to continue to buy the stock certainly.

Toni Kaplan - *Morgan Stanley - Analyst*

Okay, great. And then your adjusted EBITDA margin in the first half was 27%, so the top of your guidance range. Just walk me through -- like did you consider raising the range and why or why not? Thanks.

Stephane Bello - *Thomson Reuters Corp. - EVP & CFO*

We are keeping the guidance very much where it is and as I mentioned in my remarks, I would expect margins probably to be a bit lower in the second half than they are in the first half and the biggest factor for that is what the prior question was getting at precisely, which is, if you look at the one-time cost of margin guidance, does include the $120 million of one-time costs that we expect for this year. In the first half, we spent $40 million. So if you make the math, that indicates that, in the second quarter, one-time costs should be $80 million or thereabouts or twice the level of what we spent in the first half. So that will have an impact on margin of course.

Toni Kaplan - *Morgan Stanley - Analyst*

Thanks.

Operator

Tim Casey, BMO.

Tim Casey - *BMO Capital Markets - Analyst*

Thanks. Tax & Accounting obviously the fastest-growing business. Can you talk about the sustainability there and your efforts to expand that franchise geographically? Thanks.

Jim Smith - *Thomson Reuters Corp. - President & CEO*

Sure. We think it is eminently sustainable because -- and the growth rate. To start with, we have a very solid professional business serving the professional accountant space in the United States and that has been a consistent mid to high single digit grower for us kind of year after year. And we are very, very pleased with that business. The real growth has come from our expansion outside of the United States. And we have been able to do that pretty dramatically over the last few years from basically being a US domestic business to now almost 20% of the revenues are now coming from outside the United States. We are doing that really by following our corporate customers around the globe and the buildout of that global tax workstation, which was a combination of organic build to put it together and some key acquisitions over several years. And as the global economy gets tighter together, more and more corporate customers need solutions for multiple geographies and we have got a great platform that scales and some good businesses, capabilities and analytics on the ground.

We just think that that is a very attractive business that has all kinds of room to grow, And as I think Stephane mentioned in his remarks, we've actually added resource there to hold -- while we have seen underlying margins in that business have expanded, we have allowed that business to hold margins flat so we can invest in feet on the street, particularly in growth geographies so we can gain even greater scale there. We think there are a lot of good -- we talk about headwinds in certain sectors of our business that are out there. We think our kind of global tax and trade businesses have a lot of tailwinds there pushing them along. And we are investing heavily behind those at the same time we are working to control costs across the business.

Tim Casey - *BMO Capital Markets - Analyst*

Do you notionally have any targets as to what you think the non-US business -- do you think of that 20% ratio becoming 50% or do you think about it in those terms?

Jim Smith - *Thomson Reuters Corp. - President & CEO*

Well, I hope the US business continues to grow as well. So I hope it becomes bigger. I suspect it will become a greater percentage, but I'd like to see the US business continue to grow as well. So the percentage might not get to that kind of same kind of level, but it well could be a -- get to a place where it is a third of the business or so I would guess.

Tim Casey - *BMO Capital Markets - Analyst*

Thank you.

Operator

Peter Appert, Piper Jaffray.

Peter Appert - *Piper Jaffray - Analyst*

Thanks. So Jim, I am trying to understand the arithmetic of the positive net new sales. You have highlighted five of the last six quarters have been positive, but it doesn't look like the total organic revenue growth number has really moved meaningfully and I think that is true for the subscription-based revenues too. So am I missing something?

Stephane Bello - *Thomson Reuters Corp. - EVP & CFO*

Peter, we haven't said that net sales have been positive for the last six quarters. We have said that net sales showed an improvement in six of the last seven quarters. If my recollection is correct, they have only been positive this quarter and in Q3 of last year. So they have been negative for most of the quarters.

Peter Appert - *Piper Jaffray - Analyst*

Okay, got it. Sorry, my mistake. And then, Stephane, can you remind me the mix on your business in F&R between buy side and sell side and would you call out significant differences in performance in the two businesses?

Stephane Bello - *Thomson Reuters Corp. - EVP & CFO*

Sure. Obviously it is predominantly on the sell side, which has been obviously under more pressure from a market perspective than the buy side. As a matter of fact, we are now, as Jim said, in the process of starting to convert and migrate our buy side customer base on the new unified platform, but that is a much smaller proportion of the total segment.

Peter Appert - *Piper Jaffray - Analyst*

Okay. And then just one last thing, at the risk of incurring the wrath of Frank here. The comment on the tax rate, Stephane, I think you said 13%, 14% for the year. You are obviously running below that in the early parts of the year, so implication is tax rate takes a fairly meaningful step up in the second half?

Stephane Bello - *Thomson Reuters Corp. - EVP & CFO*

No, the guidance is 13% to 15% for the full year and year to date, I think we are about 14%, so right in the middle of the range.

Peter Appert - *Piper Jaffray - Analyst*

Okay, thank you.

Operator

Doug Arthur, Evercore.

Doug Arthur - *Evercore Partners - Analyst*

Yes, Jim, the F&R results are pretty impressive given the, as you cite, the transaction pressure in the low vol environment. So I guess my question is if low vol continues in the second half, what is sort of an order of importance -- FX, commodities, etc.? What are the top three vulnerabilities for you on the transaction side of the F&R business? Thanks.

Stephane Bello - *Thomson Reuters Corp. - EVP & CFO*

Sure, let me try to answer that question, Doug. If you look at the transaction revenue base of F&R, it is about $800 million a year. I'd say about -- that is divided by what I would broadly speak about buy side and sell side. About 40% of that base is more buy side-related. These are things like FXall, for instance. The buy side is not that affected by the volatility levels in the market. Corporate treasurers will continue to hedge on whatever rolling basis they have -- 12 months, two years, whatever -- regardless of market volatility. It is on the other side, the lack of market volatility, essentially -- volume rather is driven by the need of portfolio managers or asset managers to rebalance their portfolio. When there is no volatility, there is much less need of rebalancing, which drives trading volumes down.

So where we are most impacted by that would be in our foreign exchange dealing platform; Tradeweb on the foreign exchange transaction piece of the business is also impacted. And as I said, that is about 60% of that transaction revenue base. So hopefully that helps you calibrate what we are dealing with here.

Operator

Aravinda Galappatthige, Canaccord Genuity.

Aravinda Galappatthige - *Canaccord Genuity - Analyst*

Good morning, thanks for taking my question. Just with respect to the cost reduction in F&R, we've seen a fair bit of restructuring particularly in Q4. How should we think about the cadence of the lower cost? I saw a lot more cost reduction in Q2 if I look at the OpEx F&R than we saw in Q1 on a year-over-year basis. Does Q2 sort of encapsulate all the restructuring work in Q4 or is there more to go as sort of the timing scales down?

Stephane Bello - *Thomson Reuters Corp. - EVP & CFO*

It's a very good question. As we've said, we are on a trend towards that goal of nearing 30% margin that we've stated before. The progress that you are going to see on a quarterly basis will be uneven because it really depends on when you can retire a product or it really helps in big shifts here and there. So Q2 was a very good quarter most definitely.

I would say there is going to be like probably -- if you look at what we've discussed in terms of platform shutdown, we should see an improvement towards the -- I would say the end of the first half of next year should be quite -- that is where I would expect like another big improvement related to the elimination of these platforms we talked about, the (inaudible) optimized network platform. That one is in the process of being converted to Elektron. We have got to run the platforms on a dual basis for a while and then once our customers are comfortable with the new platform, essentially you can shut down the old one and that is when you see a lot of the savings. So a long-winded answer to say you will have some variances from quarter to quarter. What is important to look at is really the trend and what happens over a 12-month period.

Aravinda Galappatthige - *Canaccord Genuity - Analyst*

Thanks, Stephane and just a quick clarification. Americas and Asia with respect to net sales, do you see a quarter-over-quarter improvement there as well?

Stephane Bello - *Thomson Reuters Corp. - EVP & CFO*

Yes.

Aravinda Galappatthige - *Canaccord Genuity - Analyst*

Okay, thank you.

Operator

Matthew Walker, Nomura.

Matthew Walker - *Nomura Securities - Analyst*

Thanks. Good morning, everyone. The question I have is on the Legal side, which is you pointed towards the Peer Monitor improvements. My question really is do you think or over what timescale could we see an improvement in the online research growth rates? That is really the question because obviously you've got quite a lot of products within the Legal business. So when you are talking about improved headcount, slightly better environment in Legal, how quickly could we see an improvement in the online legal research business?

Stephane Bello - *Thomson Reuters Corp. - EVP & CFO*

Sure, it's a good question. Online research is really two components. The print base, which is about $500 million in annual revenue base, that one I would characterize has been in structural decline, so we are going to continue to see declines every quarter and the online piece, which is obviously much larger, it's about $1.2 billion also in the US. And we have started to see some improvement there. If you look at the rate of growth of that component -- in one of the slides we had in the presentation, you can see that the decline was 1% and that was a progress from last quarter when the decline was 2%. So you are starting to see some progression there and I think that is a reflection of the improving marketing environment we have seen over the last four quarters.

Matthew Walker - *Nomura Securities - Analyst*

And do you think that will continue in the next -- are you thinking maybe Q3 or Q4 we might see a sort of flat or a positive number for that business?

Stephane Bello - *Thomson Reuters Corp. - EVP & CFO*

It is going to be gradual, but we hope that we are going to continue to see improvement, yes.

Matthew Walker - *Nomura Securities - Analyst*

Okay, all right. Thanks so much.

Frank Golden - *Thomson Reuters Corp. - SVP, IR*

Okay, I believe that was our final call, so that will -- final question, rather -- so that will conclude this quarter's call. So thanks very much for joining us.

Operator

And a reminder today's conference call is available for replay beginning today at 10:30 and running through August 6 at midnight. You may dial into the replay service 24 hours a day using the toll-free number of 800-475-6701 or the international US number of 320-365-3844 with the access code of 330612. Those numbers again are 800-475-6701 or 320-365-3844 with the access code of 330612. That does conclude our conference for today. We thank you for your participation and for using AT&T executive teleconference. You may now disconnect.